

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
E-7 ID#1916
RESOLUTION G-3343
MARCH 13, 2003

R E S O L U T I O N

Resolution G-3343. In compliance with Resolution G-3295 Southern California Gas Company (SoCalGas) submits for Commission approval two forms that revise access fees for California gas producers. SoCalGas' forms are approved with modifications.

By Advice Letter 3202 filed on November 4, 2002

SUMMARY

This resolution approves with modifications two forms that SoCalGas submitted with Advice Letter (AL) 3202 to revise access fees for California gas producers. The fee changes were already approved in Resolution G-3295.

SoCalGas shall file an advice letter supplement to revise language as SoCalGas had agreed in its response to protests.

In response to protests by the California Natural Gas Producers Association (on behalf of itself and the California Independent Petroleum Association) and the Western States Petroleum Association, SoCalGas agreed to make certain changes to its AL. CNGPA and WSPA agreed to withdraw their protests if these changes are made.

The protests of the California Natural Gas Producers Association and the Western States Petroleum Association are partly granted.

BACKGROUND

SoCalGas filed AL 2910 on April 17, 2000 to revise its application fee and metering charge structure for recovery of expenses incurred in accepting California-produced gas into its pipeline system.

Resolution (Res.) G-3295, dated March 27, 2001, approved Advice Letter 2910 and authorized SoCalGas to revise charges for access by California gas producers to its system.

Res. G-3295 approved among other charges, the following:

“...SoCalGas has identified an additional site-specific cost when accepting gas from a producer that does not meet the California Air Resources Board (CARB) specifications for compressed natural gas to be used as vehicle fuel. Producers have agreed to reimburse SoCalGas’ expense in trucking compressed natural gas to impacted vehicle fueling stations.”

SoCalGas inadvertently failed to include revised Forms 6640 and 6643 with AL 2910. The proposals in AL 3202, specified on Forms 6640 and 6643, would implement those changes authorized by Res. G-3295.

NOTICE

Notice of AL 3202 was made by publication in the Commission’s Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Protest by the California Natural Gas Producers Association (CNGPA) and the California Independent Petroleum Association (CIPA)

CNGPA on behalf of itself and CIPA submitted its protest on November 20, 2002.

Variable Costs

CNGPA is concerned that certain provisions of AL 3202, Appendix B, exceed the authority granted under Resolution G-3295. Appendix B sets forth the producer’s payment for SoCalGas’ operation and maintenance fee, including fixed and variable cost components. CNGPA cited the following proposed revision under the Variable Cost component of Appendix B:

~~“Site specific permit costs and associated reporting costs shall be charged back to individual meters. Typical costs include permits for certain air districts, special calibration requirements and costs associated with providing [California Air Resources Board] CARB waivers.”~~¹

CNGPA contends that the language of Res. G-3295 was more narrowly structured regarding CARB compressed natural gas specifications. That language limited authorization to additional site-specific costs when accepting a producer’s gas that does not meet the CARB specifications for compressed natural gas to be used as vehicle fuel.

CNGPA said AL 3202 seeks a non-specific broadening of the authorized language to include: “...special calibration requirements and costs associated with providing CARB waivers” that was not authorized by Res. G-3295 nor by prior advice letters 2491 and 2491-A². CNGPA states that the Commission has not previously authorized the application of CARB standards to California producers. CNGPA requests that the Commission not approve the following requests of Advice Letter 3202:

Page B-3 second bullet:

“Site specific costs shall be charged back to individual meters. Typical costs include permits for certain air districts, special calibration requirements, and costs associated with providing CARB waivers.”

Page B-4 fifth bullet:

“Costs associated with an individual site such as calibration, testing or inspection of specialized equipment, including specialized gas

¹ This quote is shown as presented in CNGPA’s protest. Strikethrough indicate language that is being deleted. Underlined words indicate language that is being added.

² AL 2491 requested approval of charges to recover expenses incurred in receiving California gas. AL 2491-A requested approval of form agreements to implement the charges in AL 2491.

monitoring equipment, or calibrations required by an agency in excess of the frequency required by Utility producers, shall be charged directly to that meter. This includes any non-standard work which must be performed due to permit conditions, and appropriate labor charges.”

CNGPA stated that any changes approved should be restricted only to those odorant and monthly calibration charges specified in Resolution G-3295.

Unscheduled Visits

CNGPA expressed concern about the cost of unscheduled site visits in excess of 8 per year as well as of the accounting for these costs. Under AL 3202, SoCalGas will bill the producer for unscheduled visits in excess of 8 per year at the rate of \$63.70/hour. This charge was approved in Res. G-3295. (The cost of 8 or fewer visits is covered by a fixed monthly charge.) For unscheduled visits outside normal business hours, SoCalGas indicates that the rate shall reflect a 4-hour minimum charge.

CNGPA said its members recently experienced a high number of unscheduled visits in excess of 8 per year as well as an increasing number of unsubstantiated, site-specific variable charges. Such charges can add significantly to the cost of production, and in some cases make small independent producers' operation uneconomical, according to CNGPA.

CNGPA explains that its member producers generally have received unscheduled visits and non-routine or non-standard variable charges without prior notification. CNGPA protests that producers are receiving invoices for labor and materials without an adequate, detailed breakdown of each expense, and the associated expense category (fixed, variable, standard or non-standard). CNGPA requests that SoCalGas provide producers with SoCalGas employee and contractor time sheets supporting invoices for all visits prior to leaving the site. Similarly, CNGPA said that bills of lading or shipping manifests should be provided to the producer upon delivery of equipment.

Protest by Western States Petroleum Association (WSPA)

On November 20, 2002 the Western States Petroleum Association (WSPA) also protested AL 3202. WSPA asserts the new language inserted by SoCalGas in

Form 6643 is ambiguous, overly broad and may permit the utility to collect reimbursement for improper expenses. WSPA pointed to what it regarded as very specific and limited relief granted in Res. G-3295, specifically: 1) an increase of SoCalGas' application fee; 2) a decrease of its monthly fixed cost component; and 3) adjustments to recovery of variable costs. WSPA said the Resolution limited the variable costs to be recovered to odorant expenses and additional site-specific costs associated with SoCalGas "CARB waivers" which permit certain producer's commercial grade natural gas to be transported, even though it does not meet the CARB specifications for compressed natural gas to be used as an alternate fuel for motor vehicles.

WSPA contrasts this limited authority with that requested in AL 3202. WSPA said SoCalGas creates for itself authority to recover costs of special calibration requirements, costs associated with providing CARB waivers, and costs associated with an individual site such as calibration, testing or inspection of specialized equipment, including specialized gas monitoring equipment, or calibrations required by an agency in excess of the frequency required by producers. WSPA asserts that all of these cost categories are ambiguous.

WSPA said Resolution G-3295 does not address CARB waivers or specialized gas monitoring equipment that are newly addressed in AL 3202.

WSPA expressed concern that California gas supplies would be disproportionately burdened vis-à-vis competing interstate supplies. WSPA said that since California is heavily dependent on out-of-state natural gas, the Legislature adopted policies that maximize the use of available in-state resources to ensure that the State's consumers receive the lowest rates consistent with security of supply.

WSPA warns that the retention of the language proposed by SoCalGas would render it impossible to know whether SoCalGas could recover costs that exceed the authority granted under Res. G-3295. WSPA recommends deleting the following language from appendix B:

"...other specific costs..." from page B-1,

"...special calibration requirements, and costs associated with providing CARB waivers." from page B-3, and

“Costs associated with an individual site such as calibration, testing or inspection of specialized equipment, including specialized gas monitoring equipment, or calibrations required by an agency in excess of the frequency required by Utility producers, shall be charged directly to that meter. This includes any non-standard work which must be performed due to permit conditions, and appropriate labor charges.” from page B-4

WSPA concludes that such proposed language is overly broad, unconstrained and ambiguous and may allow the utility to charge customers for inappropriate costs.

SoCalGas' Response to Protests

SoCalGas responded to both protests on November 27, 2002.

In responding to both protests SoCalGas offered to revise the second bullet on page B-3 to read:

- Site specific permit costs and associated reporting costs shall be charged back to individual meters. Typical costs include permits for certain air quality districts.

SoCalGas believes this revision fully responds to both protests of that bullet.

In response to protests of the fifth bullet under Variable Cost component (of Appendix B to Form 6643) SoCalGas said that language has been in effect since September 4, 1996 with the issuance of Res. G-3194. However, SoCalGas insisted that the fifth bullet should read:

- “Costs such as calibration, testing or inspection of specialized equipment, including specialized monitoring equipment, associated with an individual site or calibrations required by an agency in excess of the frequency required by Utility producers, will be charged directly to that meter. This includes any non-standard work which must be performed due to permit conditions, and appropriate labor and vehicle charges.”

In response to CNGPA's concern that its member producers generally have no prior knowledge of unscheduled visits and non-routine or non-standard variable

charges, SoCalGas asserted that the issue has nothing to do with Advice Letter 3202. SoCalGas said it has broad authority to ensure that its customers receive safe and reliable service and, in particular, that the gas delivered into its system is safe and meets all contractual requirements. The minor changes to Form 6640 and Form 6643 proposed in Advice Letter 3202 will not increase or decrease SoCalGas' authority to make unscheduled visits, according to SoCalGas.

WSPA notified the Energy Division on December 16, 2002 that it accepted the modifications made by SoCalGas to Advice Letter 3202 and would withdraw its protest if those modifications were made. In a January 2, 2003 telephone conversation, CNGPA told the Energy Division that they are satisfied with SoCalGas' modifications and have no further concerns.

DISCUSSION

With AL 3202, SoCalGas submitted Forms 6640 and 6643 to revise access fees for California Gas producers, in compliance with Res. G-3295.

Both CNGPA and WSPA protested certain language in Appendix B of Form 6643 as going beyond the authority provided in Res. G-3295.

SoCalGas seeks authority to recover special calibration requirements, costs associated with providing CARB waivers and costs associated with an individual site such as calibration, testing or inspection of specialized equipment, including any non-standard work, which must be performed due to permit conditions. We agree that such language goes beyond the originally intended scope of Res G-3295. However, we recognize that SoCalGas will be required to perform such work and the costs of such activity is part of the costs the producer should incur to produce its gas. Moreover, CNGPA and WSPA accepted SoCalGas' proposals. We will order SoCalGas to modify the language of AL 3202 to conform with its proposals in its response to protests.

Producers request more information supporting invoices from SoCalGas. Since all protests were withdrawn, we will deny this request without prejudice.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment

prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to waive the 30-day waiting period required by PU Code section 311 (g)(1) and the opportunity to file comments on the draft resolution. No comments were received. Accordingly, this matter will be placed on the Commission's agenda directly for prompt action.

FINDINGS

1. SoCalGas submitted Advice Letter 3202 requesting approval of two forms that revise access fees for California gas producers, in compliance with Resolution G-3295.
2. CNGPA, CIPA and WSPA protested AL 3202, saying that the broad language in appendix B of Form 6643 went beyond that specified in resolution G-3295.
3. CNGPA also protested the number of unscheduled visits by SoCalGas and the extent of the undocumented support of time spent at the site and evidence of equipment delivered.
4. In response to the protests, SoCalGas agreed to make certain changes to Appendix B of Form 6643.
5. CNGPA and WSPA notified the Energy Division that they would withdraw their protests if SoCalGas made the changes indicated in SoCalGas' response.
6. SoCalGas should make the revisions to appendix B indicated in its response to protests.

THEREFORE IT IS ORDERED THAT:

1. SoCalGas AL 3202 is approved with modifications.

2. SoCalGas shall submit an advice letter supplement to modify Appendix B of Form 6643.
3. SoCalGas shall revise the second bullet under page B-3 to read:
 - a. "Site specific permit costs and associated reporting costs shall be charged back to individual meters. Typical costs include permits for certain air quality districts."
4. SoCalGas shall revise the fifth bullet under Variable Cost Component to read:
 - a. "Costs such as calibration, testing or inspection of specialized equipment, including specialized gas monitoring equipment, associated with an individual site will be charged directly to that meter. This includes any non-standard work, which must be performed due to permit conditions, and appropriate labor and vehicle charges."
5. The producer's request for more documentation is denied without prejudice.
6. The protests of AL 3202 are partly granted.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 13, 2003; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director